

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TWO)

Docket No. RM2021-4

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 6
(September 7, 2021)**

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 6, issued August 31, 2021.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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September 7, 2021

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1. Please refer to Library Reference USPS-FY20-10, Excel file "USPS-FY20-10 FCM Letters.xlsx"¹ and Excel file "Proposal Two FCM Letters Cost Model.xlsx" filed with the Petition.
 - a. Library Reference USPS-FY20-10, Excel file "USPS-FY20-10 FCM Letters.xlsx," tab "MISC," cell E10 indicates the percent of Presort Letters destined to a P.O. Box is 5.73 percent. Please confirm that the 5.73 percent was eliminated in Excel file "Proposal Two FCM Letters Cost Model.xlsx," tab "MISC."
 - b. Please confirm that the 5.73 percent of Presort Letters volume destined for a P.O. Box was not removed from Table 2, Column E in Excel file "Proposal Two FCM Letters Cost Model.xlsx," tab "PRESORT LETTERS SUM."
 - c. In Excel file "Proposal Two FCM Letters Cost Model.xlsx," tab "PRESORT LETTERS SUM," please confirm that the volume of Presort Letters destined to a P.O. Box would be approximately 1,957,063,332 (volume in cell E28 * percent of Presort Letters destined to a P.O. Box).
 - d. If question 1.b. is confirmed, please explain why the Postal Service did not remove the volume of Presort Letters destined for P.O. Boxes from Table 2, Column E.
 - e. Please provide updated workpapers that account for the removal of P.O. Box volume for Presort Letters and Presort Cards.

RESPONSE:

- a. Confirmed
- b. Confirmed
- c. Confirmed, if the 5.73 percent figure is applied to the total volume figure.

¹ See Docket No. ACR2020, Library Reference USPS-FY20-10 – FY 2020 Special Cost Studies Workpapers – Letter Cost Models (First-Class and Marketing Mail), December 29, 2020.

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- d. The volume adjustments described in this question were not made because these adjustments were not warranted. Mail pieces destined for post office boxes would still incur costs in "upstream" operations covered by several cost pools, as well as the post office box distribution costs covered by the NONMODS D.PO BOX cost pool. If the goal were to remove all post office box data from the cost model, both the volume and cost data would have to be adjusted. In addition, the Postal Service does not have the post office box volume data by price category that would be required to make this adjustment.
- e. Please see the above response to ChIR No. 6, Question 1(d).

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2. Please refer to Excel file "Proposal Two FCM Letters Cost Model.xlsx," tab "CRA – PRESORT LETTERS," cell C77, which reflects the total unit costs for all Presort Letters including those destined for P.O. Boxes.
- a. Please confirm that the total unit costs for all Presort Letters would change if the 5.73 percent of Presort Letters destined for a P.O box were removed.
 - b. Please provide updated workpapers that account for the removal of P.O. Box volume for Presort Letters and Presort Cards.

RESPONSE:

- a. Confirmed.
- b. Based on the content of Question 2(a), it is assumed that this question pertains to the adjustment of costs related to post office box mail, rather than the adjustment of volumes, which appeared to be covered by ChIR 6, Question No.1. Please see the response to ChIR No. 6, Question 1(d).

It is not currently possible to adjust the mail processing unit cost by shape estimate from USPS-FY20-26 to exclude costs related to mail that is destined for post office boxes. More broadly, the purpose behind Questions 1 and 2 in this ChIR is not clear. If the purpose is to produce a First-Class Mail (FCM) presort letters mail processing cost model that relies solely on the post office box adjustment included in Proposal Two, while excluding all of the other recommended cost pool classification changes, please see the revised cost model contained in the attached file 'ChIR.6.Q.2b.xlsx'.

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This attached cost model is the Docket No. ACR2020 version of the cost model to which have been made the following two modifications. First, the value in cell E10 in the 'Misc' worksheet is set to zero. In addition, the post office box distribution cost line items have been removed from all cost worksheets. This change ensures that no post office box distribution costs are estimated within each price category mail flow worksheet. Second, the costs for the NONMODS D.PO BOX cost pool are reclassified as "non-worksharing related" fixed in the following worksheets: 'CRA METERED LETTERS', 'CRA PRESORT LETTERS', and 'CRA PRESORT CARDS'. This modification ensures that post office box distribution costs have no influence on the mail processing unit cost avoidance estimates that are calculated in this cost model. This change was recommended because post office box distribution costs are not directly related to the presorting activities performed by mailers. The affected worksheet tabs and the sections of the affected worksheets are highlighted in red.

The methodology used in this cost model is consistent with the methodology used in the flats mail processing cost models (USPS-FY20-11), the Marketing Mail parcels mail processing cost model (USPS-FY20-12), the Media Mail / Library Mail mail processing cost model (USPS-FY20-15), and the Parcel Select/Parcel Return Service mail processing cost model (USPS-FY20-NP15), which all rely on the Commission's current cost pool

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classification methodology. These cost models have never included any modeled post office box distribution costs and the NONMODS D.PO BOX cost pool has always been classified as "non-worksharing related" fixed. In addition, the modifications implied in ChIR No. 6, Questions 1(e) and 2(b) have never been applied to any of those cost models.

It bears emphasis, however, that submission of the modified cost model attached to this response does not change the Postal Service's firm position that Proposal Two should be adopted by the Commission as it was originally filed. Instead, this response and the accompanying Excel file are merely intended to offer insight into the proper method to isolate and implement the change in treatment of the D PO Box cost pool from proportional to "non-worksharing related" fixed, independent of the other equally-meritorious components of Proposal Two.

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3. Please refer to response to Chairman's Information Request No. 2, question 1.a., where the Postal Service confirmed the removal of "Incoming Secondaries" costs for "Box Section Sort, DPS [Delivery Point Sequence (DPS)]" and "Box Section Sort, Other" on the cost sheets for each presort level in Excel file "Proposal Two FCM Letters Cost Model.xlsx."²
- a. Does "Box Section Sort, DPS" represent Presort Letters destined for P.O. Boxes that are in DPS trays?
 - b. Does "Box Section Sort, Other" represent Presort Letters destined for P.O. Boxes that are in non-DPS trays, which would require additional handling within the operations of cost pool NONMODS MANL?
 - c. Are non-DPS trays separated into those destined for P.O. Boxes and those that are not?
 - d. Before the operations of cost pool NONMODS D.PO BOX, does a DPS Presort Letter destined for a P.O. Box come directly from the operations of cost pool NONMODS ALLIED?
 - e. Before the operations of cost pool NONMODS D.PO BOX, does a non-DPS Presort Letter destined for a P.O. Box come directly from the operations of cost pool NONMODS MANL and before that the operations of cost pool NONMODS ALLIED?
 - f. Does a MAADC Presort Letter destined for a P.O. Box have a lower percent of arriving at the delivery unit in a DPS tray than a 5-Digit Presort Letter destined for a P.O. Box?

RESPONSE:

- a. Yes, Box Section Sort, DPS represents Presort Letter destined for P.O. Boxes that are in DPS trays.

² Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 2, April 29, 2021, question 1.

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- b. The pieces represented in "Box Section Sort, Other" can either flow from automated Incoming Secondary operations or manual Incoming Secondary operations, likely NONMODS MANL. The pieces flowing from automated Incoming Secondary operations would not incur costs in NONMODS MANL.
- c. In non-DPS Incoming Secondary operations, pieces are separated by route or box section, thus mail destined for P.O. Boxes would be separated from other mail in the Incoming Secondary operations.
- d. Before the operations of cost pool NONMODS D.PO BOX, a DPS Presort Letter destined for a P.O. Box would likely come directly from the operations of cost pool NONMODS ALLIED.
- e. Before the operations of cost pool NONMODS D.PO BOX, a non-DPS Presort Letter destined for a P.O. Box flowing from a manual Incoming Secondary operation would likely come directly from the operations of cost pool NONMODS MANL and before that the operations of cost pool NONMODS ALLIED. In contrast, pieces flowing from an automated Incoming Secondary operation would likely come directly from the operations of cost pool NONMODS ALLIED.
- f. The answer to this question is unknown. From a modeling standpoint, the more times a given mail piece is processed through an operation, the greater the likelihood it will be rejected. However, the Postal Service does not have

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data that show reject percentages specific to each price category by operation.

Beyond that, a MAADC Presort Letter destined for a P.O. Box will have a lower percent probability of arriving at the delivery unit in a DPS tray than a 5-Digit Presort Letter destined for a P.O. Box. As presented in file "USPS-FY20-10 FCM Letters.xlsx" (Docket No. ACR2020), cells L45 and L46 of the tabs "AUTO MAADC COST" and "AUTO 5-DIGIT COST" respectively, a MAADC piece will have a 87.3 percent probability of being in a DPS tray while a 5-Digit Presort letter will have a 93.2 percent probability of being in a DPS tray. As the Postal Service observed in its Reply Comments (p. 11), the model cost difference in P.O. Box distribution for automation MAADC letters versus automation 5-Digit letters arising from the difference in DPS rates is a small 0.01 cents/piece (0.199 cents vs. 0.189 cents), or 5.3 percent. In contrast, the overall automation MAADC-5-Digit cost difference in the accepted model is 341.6 percent (Postal Service Reply Comments at p. 12). Thus, notwithstanding the DPS finalization differences, P.O. Box costs are essentially fixed with respect to presort level compared to modeled costs as a whole.